



County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

June 23, 2004

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Yvonne Brathwaite Burke
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

WASHINGTON D.C. UPDATE

Congress will recess on Friday, June 25, 2004, for the Independence Day holiday, and will return on July 6, 2004.

Federal Fiscal Year (FFY) 2005 Homeland Security Appropriations Bills

Last week, the House passed its FFY 2005 Homeland Security appropriations bill (H.R. 4567), while the Senate Appropriations Committee reported its version (S. 2537) of the bill. Both versions reduce funding for the State Homeland Security Grant (SHSG) program, but increase funding for Urban Area Security Initiative (UASI) grants, as seen in the attached chart, which has the funding levels for major state and local grants under the bills.

Similar to prior years, both bills include language requiring SHSG and Law Enforcement Terrorism Prevention formula grants, but not UASI grants, to be allocated pursuant to Section 1014 of the USA Patriot Act, which requires the first 40% of total funding be used to provide each state with 0.75% of total funding and each U.S. territory with 0.25% of total funding. This small state minimum requirement results in California, the most populous state, receiving the least amount of funding per capita. To target more funds to areas based on terrorist threat and risk levels, the Administration proposed a greater reduction in SHSG grants and an increase in UASI grants than included in the Senate and House bills. A House floor amendment by Representative Sweeney (R-NY) to shift \$450 million from state grants to UASI grants was defeated 171 to 237. Senate floor action on S. 2537 has not been scheduled.

FFY 2004 Bioterrorism Grants

Last week, the Department of Health and Human Services (HHS) announced FFY 2004 public health bioterrorism preparedness grant awards. The County will receive a grant of \$27.1 million to enable it to prepare for and respond to bio-terror attacks, infectious diseases, and natural disasters, up from \$24.5 million in FFY 2003. The County is one of the three local jurisdictions which receive direct grants. The public health preparedness grant is in addition to the FFY 2004 hospital preparedness grant award that HHS announced in May. As reported to your Board on May 28, 2004, the County will receive \$15.6 million under that program.

FFY 2004 State Criminal Alien Assistance Program (SCAAP) Funding

Last week, the Department of Justice announced FFY 2004 SCAAP payments. The County will receive \$13.88 million in FFY 2004 to reimburse undocumented criminal alien incarceration costs incurred during the County's 2002-03 fiscal year. In comparison, the County received \$11.45 million in FFY 2003. Total SCAAP payments nationwide increased from \$240 million in FFY 2003 to nearly \$282 million in FFY 2004.

Temporary Assistance for Needy Families (TANF) Program

Yesterday, the House and Senate passed H.R. 4589, a bill which would extend TANF through September 30, 2004. The President will sign the bill into law before the current short-term extension of TANF expires on June 30, 2004. Last year, the House passed a multi-year TANF reauthorization bill (H.R. 4), but the Senate has not yet passed its version.

Transportation Equity Act (TEA-21) Reauthorization

This week, the House and Senate are expected to adopt a one-month extension of TEA-21 programs. The current authorization expires June 30, 2004. Staff to the House and Senate conferees to the six-year reauthorization bill (H.R. 3550) are meeting, but there is no agreement to date on the overall funding level for the measure.

Audit of California's Selective Provider Contracting Program (SPCP)

Last week, HHS released the Office of Inspector General (OIG) report on its audit of California's Medicaid Selective Provider Contracting Program (SPCP) waiver, which allows the State to contract with hospitals to provide inpatient services to Medicaid patients at negotiated reimbursement rates. The report included the State's detailed comments objecting to the audit's finding that the State overstated its direct SPCP savings between July 1, 1998 and June 30, 2002.

During this four-year period covered by the audit, the State projected program savings of \$7 billion (including \$4.8 billion in direct savings) and made supplemental hospital payments totaling \$6.2 billion. In response to the State's objections to the OIG's draft finding that the State overestimated direct savings by \$500 million, the OIG removed the reference to the \$500 million overestimate from its final report. However, the OIG still recommended that the State recalculate its program savings for this four-year period, refund any supplemental payments exceeding the recalculated savings, and ensure that adequate documentation is maintained to support waiver savings projections. According to the State, no refund is required because "the OIG's own work papers demonstrate that during the audit period under review, the SPCP achieved net savings of \$336 million."

Pursuit of County Positions on Legislation

Two pending budget reform bills, H.R. 3800 (Hensarling, R-TX) and H.R. 3925 (Kirk, R-IL), seek to control the growth in Federal expenditures. Both bills include language which would impose a new statutory cap on aggregate entitlement spending, excluding Social Security. Both bills would impose automatic across-the-board cuts to keep entitlement spending within the new statutory limit if Congress does not enact legislation which does so.

If enacted, the bills' provisions to cap entitlement spending would result in a major loss of Federal funding for state and local governments, including the County. Based on Congressional Budget Office (CBO) projections, entitlement spending would have to be cut by a total of \$1.8 trillion over the next ten years. Within five years, the required cuts could reach 20% of the total projected costs of entitlement programs. Major entitlement programs, which collectively account for most Federal revenue received by the County, and which would be subject to cuts, include Medicaid, State Children's Health Insurance Program (SCHIP), TANF, Title IV-E foster care and adoptions assistance Food Stamps, child support enforcement, and the Social Services Block Grant (SSBG).

Based on policies in the Federal Legislative Agenda adopted by your Board on January 20, 2004 to support maintaining Medicaid, Food Stamps, and Title IV-E foster care as open-ended entitlement programs, and maintaining or increasing funding for child support enforcement, SCHIP, TANF, and SSBG, the County's Washington advocates will oppose the provisions in legislation, such as H.R. 3800 and H.R. 3925, which would cut Federal funding for these programs.

Congress has not taken any action on H.R. 3800 and H.R. 3925. H.R. 3800, however, has more than 100 co-sponsors, and its provisions may be offered as amendments to H.R. 3973, which will be considered by the House Rules Committee this week. H.R. 3973 is a budget enforcement bill, which would set five-year statutory caps on

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discretionary spending and require legislation to increase entitlement spending to be offset by other entitlement spending cuts. To win support for the FFY 2005 budget resolution from some fiscally conservative Republicans, the House Republican leadership had pledged that H.R. 3973 would be considered on the House floor. Similar to the FFY 2005 budget resolution, the bill faces opposition from Senate Democrats and moderate Republicans who would want the bill to include "pay-as-you go" offsets that apply to tax cuts as well as spending increases.

We will continue to keep you advised of any new developments.

DEJ:GK
MAL:MT:ib

Attachment

c: Executive Officer, Board of Supervisors
County Counsel
All Department Heads
Legislative Strategist

**FUNDING FOR GRANTS TO STATE AND LOCAL GOVERNMENTS UNDER
FEDERAL FISCAL YEAR 2005 HOMELAND SECURITY APPROPRIATIONS BILLS
(H.R. 4567/S. 2537)
(in millions of dollars)**

PROGRAMS	2004	HOUSE 2005	SENATE 2005
State Homeland Security Grants	\$1,690	\$1,250	\$940
Law Enforcement Terrorism Prevention Grants	497	500	400
High-Threat Urban Area Grants *	671	900	875
Rail and Transit Security *	50	100	150
Port Security	124	125	150
Emergency Management Performance Grants	179	170	180
Firefighter Assistance Grants	746	600	700

* These programs are part of the Urban Area Security Initiative